

Message Text

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PAGE 01 STATE 067610
ORIGIN ARA-14

INFO OCT-01 ISO-00 TRSE-00 DOE-11 EB-08 L-03 SOE-02
AID-05 CEA-01 CIAE-00 COME-00 DODE-00 H-01 INR-10
INT-05 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-07 ACDA-12 /121 R

DRAFTED BY ARA/ECP:JHENNEKE:LJ
APPROVED BY ARA:TTODMAN
ARA/ECP:JO'MAHONY
TREAS:GCLAPP (SUBS)
DOE:JLREED:LBLEY
EB/ SE:PBULLEN
EB/OIA:WBLACK
ARA/AND:VGRAHAM (SUBS)
L/ARA:FARMSTRONG (INFO)
-----004567 161015Z /20
P 160319Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY CARACAS PRIORITY

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E.O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: PROPOSED VENEZUELAN INVESTMENT IN VIRGIN
ISLANDS REFINERY

REF: (A) 75 STATE 121275; (B) 75 STATE 121276;
(C) 77 STATE 185216

1. VIRGIN ISLANDS REFINERY CORP (VIRCO) IS SEEKING THE
GOOD OFFICES OF THE DEPARTMENT IN CONNECTION WITH ITS
PROPOSAL TO BUILD AN OIL REFINERY IN ST. CROIX, VIRGIN
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ISLANDS, AS A JOINT VENTURE WITH VENEZUELA (VIRCO IS
COMPLETELY UNRELATED TO EXISTING AMERADA-HESS REFINERY
IN VIRGIN ISLANDS). VIRCO SAYS VENEZUELAN PUBLIC AND
PRIVATE INTERESTS ARE CONSIDERING TAKING MINORITY
EQUITY PARTICIPATION OF \$53 MOLLION (2/3 PUBLIC AND
1/3 PRIVATE) PLUS GUARANTEES OF \$250 MILLION IN LOANS.
PETROLEOS SUBSIDIARY CVP WOULD BE PROPOSED SOURCE OF

200,000 BPD CRUDE TO BE RUN THROUGH PROPOSED REFINERY.

2. VIRCO OFFICIALS HERE HAVE EXPRESSED THAT GOV MAY FEAR THAT USG WOULD HAVE OBJECTION TO FOREIGN GOVERNMENT PARTICIPATION IN A PETROLEUM PROJECT AND THAT GOV MAY BE APPREHENSIVE ABOUT VIRGIN ISLANDS STATUS UNDER U.S. ENERGY REGULATORY PROGRAMS.

3. VIRCO CONTACT IN CARACAS IS DR. PABLO CASTRO VECERRA, EDIFICIO LA BOLSA, COUNSEL TO TOUR VENEZUELAN BANKS INVOLVED IN ARRANGEMENTS. VIRCO PRESIDENT HADARY QUOTES DR. CASTRO AS SAYING THAT FOREIGN MINISTER GONSALVI WOULD LIKE TO HEAR FROM USG DIRECTLY ITS POSITION ON THIS SUBJECT AND QUOTES DR. CASTRO AS SUGGESTING THAT VIRCO PROPOSAL MIGHT BE RAISED BY PRESIDENT PEREZ DURING PRESIDENT CARTER'S VISIT TO VENEZUELA. THESE REPORTS SEEM UNLIKELY.

4. POST SHOULD TAKE NO INITIATIVE IN THIS MATTER, BUT SHOULD GOV ENQUIRE, POST SHOULD BE AWARE THAT:
A) TREASURY HAS INFORMED VIRCO THAT THERE ARE NO FEDERAL REGULATIONS RESTRICTING A FOREIGN OIL PRODUCING COUNTRY FROM OWNING A SUBSTANTIAL INTEREST IN A REFINERY IN THE VIRGIN ISLANDS. B) DOE'S BUREAU OF RESOURCE APPLICATION HAS PROVIDED LETTER TO VIRCO STATING THAT ALL DOE PROGRAMS AND BENEFITS APPLY TO U.S. LIMITED OFFICIAL USE

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VIRGIN ISLANDS REFINERIES IN SUBSTANTIALLY THE SAME MANNER THAT THEY APPLY TO U.S. MAINLAND REFINERIES.

5. WE AND TREASURY HAVE MADE CLEAR TO VIRCO THAT USG INVESTMENT POLICY, AS EXPRESSED IN REF C, IS NEITHER TO PROMOTE NOR ,O DISCOURAGE FOREIGN INVESTMENT IN THE U.S., AND THAT EMBASSY CARACAS WOULD BE ASKED TO RENDER APPROPRIATE ASSISTANCE CONSISTENT WITH THIS POLICY. WE INFORMED VIRCO THAT DEPARTMENT IS SENDING CABLE TO EMBASSY CARACAS SO THAT EMBASSY WOULD HAVE INFORMATION NECESSARY TO RESPOND IF ISSUE RAISED BY GOV, BUT ,HAT DEPARTMENT IS NOT ASKING EMBASSY TO TAKE INITIATIVE WITH GOV. IF PRESSED FOR ADDITIONAL DETAIL ON USG POSITION, EMBASSY SHOULD NOTE SPECIFIC GOV CONCERNS AND FORWARD THEM TO DEPARTMENT FOR ANSWERS.
VANCE

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Message Attributes

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Disposition Action: RELEASED
Disposition Approved on Date:
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